

Message Text

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ACTION AF-10

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L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00

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TAGS: ECON, PINT, PGOV, GH

SUBJ: GHANA: ECONOMIC REFORMS ANNOUNCED

1. SUMMARY: JULY 15 PRESS ANNOUNCED ECONOMIC REFORMS AIMED AT STIMULATING EXPORTS, EXPANDING IMPORTED INPUTS FOR MANUFACTURING AND STREAMLINING DISTRIBUTION SYSTEM IN ORDER PROVIDE MORE CONSUMER GOODS. ALTHOUGH REFORMS CONSTITUTE A STEP IN THE RIGHT DIRECTION, IT IS DIFFICULT TO SEE WHERE MONEY WILL COME FROM TO PAY FOR THEM. REFORMS HAVE BEEN GENERALLY WELCOMED, BUT BUSINESSMEN ARE TAKING A WAIT AND SEE ATTITUDE. EDN OF SUMMARY.

2. IN PRESS CONFERENCE JULY 14, RECENTLY APPOINTED COM-MISSIONER OF FINANCE, DR. A.K. APPIAH, ANNOUNCED THAT IMPORTS OF RAW MATERIALS AND SPARE PARTS FOR LOCAL MANUFACTURES WOULD BE LIBERALIZED. LIBERALIZATION IS LINKED TO MANU-FACTURERS EXPORTING PART OF PRODUCTION, BUT DETAILS NOT ANNOUNCED. SHORTAGE OF INPUTS, BOTH RAW MATERIAL AND SPARE PARTS, HAS FORCED MANY LOCAL FIRMS TO OPERATE FAR BELOW CAPACITY.

3. TO STIMULATE EXPORTS, BONUSSES TO EXPORTERS ARE TO BE
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INCREASED AND COVERAGE EXPANDED. BONUS FOR "NON-TRADITIONAL" EXPORTS (ALL GOODS EXCEPT COCOA, TIMBER, GOLD, BAUXITE, MANGANESE AND COFFEE) WILL BE RAISED FROM 20 PERCENT TO 30 PERCENT. IN THE PAST TRADITIONAL EXPORTS WERE NOT ELIGIBLE FOR BONUS; EXPORTERS OF THESE COMMODITIES (EXCEPT COCOA) ARE NOW TO RECEIVE 20 PERCENT BONUS.

4. IN A WELCOME MOVE TO LIBERALIZE AND STREAMLINE DISTRIBUTION OF GOODS, GOG LOGISTICS COMMITTEE HAS BEEN ABOLISHED AND DESIGNATED SUPERMARKETS DECREE REPEALED. (LOGISTICS COMMITTEE HAD DISTRIBUTED CERTAIN "ESSENTIAL" GOODS, DOMESTIC AND IMPORTED. DESIGNATED SUPERMARKETS DECREE HAD RESTRICTED DISTRIBUTION OF CERTAIN COMMODITIES, SUCH AS SUGAR, MILK, SOAP, RICE AND CEMENT, TO DESIGNATED RETAILERS). NEW MEASURES HAVE BEEN ENTHUSIASTICALLY RECEIVED BY MARKET MAMMIES, WHO HAD BEEN EXCLUDED FROM DISTRIBUTION OF THOSE GOODS. SOME PRODUCTS, LONG ABSENT FROM OPEN MARKETS, HAVE ALREADY REAPPEARED, BUT PRICES REMAIN VERY HIGH, REFLECTING BLACK MARKET EXCHANGE RATE AND SHORTAGE MENTALITY.

5. THE GHANA NATIONAL PROCUREMENT AGENCY (GNPA) WAS ESTABLISHED IN SEPTEMBER 1976 AS SOLE IMPORTER OF CERTAIN COMMODITIES. GNPA WILL NO LONGER IMPORT ITSELF, BUT IS TO "MONITOR" COMMERCIAL IMPORTS OF THESE GOODS.

6. IN EFFORT TO HOLD DOWN PRICES, AN ANTI-MONOPOLY AND UNFAIR TRADE PRACTICES COMMISSION IS TO BE CREATED TO SEE THAT FIRMS DO NOT EXPLOIT GOVERNMENT-AUTHORIZED MONOPOLY POSITIONS. GOG IS ALSO TO AMEND CAPITAL INVESTMENT DECREE TO HALT MALPRACTICES INVOLVING TAX EXEMPTIONS.

7. COMMENT: ECONOMIC REFORMS REPRESENT AN EFFORT TO GAIN PUBLIC SUPPORT BY GETTING STAGNANT ECONOMY MOVING AND LIMITED OFFICIAL USE

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HAVE ALREADY HAD SOME POSITIVE EFFECT. CHANGES ARE ALSO AN ADMISSION THAT BUREAUCRATIC CONTROLS ESTABLISHED BY SMC HAVE FAILED MISERABLY TO CURE COUNTRY'S ECONOMIC ILLS. JUDGING FROM HIS REMARKS AT A MEETING WITH INDUSTRY REPRESENTATIVES COMMISSIONER APPIAH APPARENTLY SEES LIBERALIZATION AS HIS MAIN GOAL, AND MEASURES JUST ANNOUNCED ARE PROBABLY ONLY THE FIRST IN A SERIES OF SUCH STEPS. BONUS TO EXPORTERS IS IN EFFECT FORM OF DEVALUATION, ALTHOUGH THIS WORD REMAINS TABOO. (RECENT IMF REPORT ON ARTICLE 14 CONSULTATIONS NOTED "DISTORTIONS NOW SO GREAT THAT SPECIFIC FISCAL MEASURES HAVE ONLY LIMITED POTENTIAL."). ECONOMIC REFORMS HAVE BEEN GENERALLY WELCOMED, BUT THEY RAISE A NUMBER OF QUESTIONS WHICH NOT EVEN GOG OFFICIALS CAN NOW ANSWER. BUSINESSMEN ARE THEREFORE CAUTIOUSLY OPTIMISTIC ABOUT THE GENERAL TREND TOWARD LIBERALIZATION BUT ARE TAKING A WAIT AND SEE ATTITUDE AS TO THE SPECIFICS. EMBASSY WILL REPORT FURTHER DETAILS AS THEY BECOME AVAILABLE. SMITH

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